

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS
(Jointly Administered)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

PUERTO RICO ELECTRIC POWER AUTHORITY,

Debtor.

PROMESA

Title III

No. 17 BK 4780-LTS

**This Court Filing Relates
Only to Case No. 17-BK-
4780-LTS**

Re: ECF Nos.² 2718, 2720

**AAFAF AND PREPA’S JOINDER TO THE OBJECTION OF THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO TO
URGENT MOTION OF AD HOC GROUP OF PREPA BONDHOLDERS TO COMPEL
MEDIATION AND IMPOSE DEADLINES FOR PREPA PLAN OF ADJUSTMENT**

¹ The Debtors in these Title III cases, along with each Debtor’s respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the “Commonwealth”) (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566 (LTS)) (Last Four Digits of Federal Tax ID: 9686), (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), (iv) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 847), (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17-BK-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747), and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523 (LTS)) (Last Four Digits of Federal Tax ID: 3801).

² References to ECF Nos. refer to Case No. 17-4780 unless stated otherwise.

To the Honorable United States District Judge Laura Taylor Swain:

AAFAF,³ pursuant to its authority under the Puerto Rico Fiscal Agency and Financial Advisory Authority Act, Act 2-2017, and PREPA hereby submit this joinder to certain arguments raised in the *Objection of Financial Oversight and Management Board for Puerto Rico to Urgent Motion of Ad Hoc Group of PREPA Bondholders to Compel Mediation and Impose Deadlines for PREPA Plan of Adjustment* (the “Objection”).

STATEMENT

1. One of the Pierluisi administration’s primary objectives is facilitating PREPA’s exit from Title III.⁴ The reliability and cost of electricity on the island directly and materially impacts the daily life, health, and safety of the people of Puerto Rico. AAFAF and PREPA are committed to working with the Oversight Board to achieve a sustainable restructuring of Puerto Rico’s debt. But PREPA, its creditors, and the people of Puerto Rico will not benefit from the artificial deadlines urged by the Ad Hoc Group.

2. PREPA’s restructuring must occur within a framework of providing reliable and affordable electricity. If legislation authorizing the issuance of securitization bonds⁵ does not

³ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the *Urgent Motion of the Ad Hoc Group of PREPA Bondholders Pursuant To Section 312 of PROMESA and Section 105 of the Bankruptcy Code to Appoint a Mediator and Impose Deadlines for a PREPA Plan of Adjustment* (“Urgent Motion”) [ECF No. 2718].

⁴ Reorg, *AAFAF’s Marrero Voices Support for Current PREPA RSA, Says Legislation Remains ‘Biggest Concern’ Based on Current Lack of Support in Legislature* (Jan. 20, 2022), https://app.reorg.com/v3#/items/intel/1869?item_id=166455 (reporting that “[Omar] Marrero positioned PREPA’s debt restructuring as a key priority of both the administration of Gov. Pedro Pierluisi and the PROMESA oversight board, and ... highlighted the government’s aim to finish all of the pending restructurings - including PREPA and the Highways and Transportation Authority - in the current year”); Reorg, *AAFAF Chief Marrero Signals PREPA RSA ‘Most Likely’ Will Need Renegotiation, Given Lack of Legislative Support* (Feb. 7, 2022), https://app.reorg.com/v3#/items/intel/1869?item_id=168129 (statement of Omar Marrero that PREPA’s restructuring is “‘most essential ... [to] achieve fiscal stability and economic growth’”).

⁵ The RSA as written requires legislation to implement the restructured bonds’ securitization structure.

occur in the near term,⁶ then AAFAF and PREPA agree mediation or other structured negotiation with all significant parties in interest in this Title III case should be used to formulate a confirmable and, hopefully, consensual plan of adjustment.

JOINDER

3. AAFAF and PREPA agree with the Oversight Board and the Ad Hoc Group that mediation can play an important role in bringing PREPA's Title III Case to an appropriate conclusion. However, AAFAF and PREPA, do not agree with the Ad Hoc Group's request that mediation occur solely with the Oversight Board and solely on limited "mechanics" of RSA implementation. AAFAF and PREPA are indispensable parties to any negotiation with the bondholders and other parties in interest in these cases. AAFAF and PREPA have been party to all of the material negotiations and litigations in PREPA's Title III case—AAFAF and PREPA are both parties to the RSA and the motions before the Court associated therewith. AAFAF and PREPA agree with the Oversight Board that mediation should not only include bondholders, but should also include all significant parties in interest in this Title III case.

4. AAFAF and PREPA do not object to former Judge Houser serving as mediator; however if PREPA's complex restructuring is mediated by a non-judicial mediator, maximally productive negotiations may require appointment of a mediator with experience in the utility sector.

5. Finally, the Ad Hoc Group's mandatory deadlines for a plan of adjustment are unrealistic and counter-productive. The process underway in the Puerto Rico Legislature should be allowed to conclude. *See* Objection ¶ 3; *see also* the Speaker of the Puerto Rico House of

⁶ The Oversight Board, AAFAF, and PREPA will be filing the status report required by the Court with respect to the RSA on March 31, 2022, which may be the appropriate time to address a path forward if legislation has not been enacted.

Representatives' *Opposition to Urgent Motion to Appoint a Mediator and Impose Deadlines for a PREPA Plan of Adjustment* at 6–9. If legislation is not enacted to authorize the transactions the RSA contemplates, then the broad negotiation that the Oversight Board advocates is the best path forward to reach a sustainable restructuring for PREPA.

RESERVATION OF RIGHTS

6. AAFAF and PREPA reserve their rights as to their standing in this case and in any future mediation or dispute resolution process. Furthermore, if the Court orders mediation or another form of dispute resolution, AAFAF and PREPA should be allowed to participate in all respects.

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Dated: February 25, 2022
San Juan, Puerto Rico

Respectfully submitted,

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